

# Goss • Samford PLLC



Attorneys at Law

February 18, 2013

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PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: Case No. 2012-00149

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of East Kentucky Power Cooperative, Inc.'s ("EKPC") Response to Supplemental Comments of Intervenor Sierra Club on the 2012 Integrated Resource Plan of EKPC.

Please contact me if you have any questions.

Very truly yours,

Mark David Goss  
Counsel

Enclosures

Cc: Parties of Record

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

FEB 18 2013

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

2012 INTEGRATED RESOURCE PLAN OF ) CASE NO.  
EAST KENTUCKY POWER COOPERATIVE, INC. ) 2012-00149

**EAST KENTUCKY POWER COOPERATIVE, INC.'S  
RESPONSE TO SUPPLEMENTAL COMMENTS OF INTERVENOR SIERRA CLUB  
ON THE 2012 INTEGRATED RESOURCE PLAN**

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, and responds to the supplemental comments of intervenor Sierra Club on its 2012 Integrated Resource Plan ("IRP").

The Sierra Club has neither provided any evidence in the record in this IRP proceeding describing its expertise in the PJM markets, nor did it submit a Petition to Intervene in Case No. 2012-00169.<sup>1</sup> Upon reviewing the supplemental comments, it is obvious that the Sierra Club has not read the Commission's Order dated December 20, 2012 in Case No. 2012-00169. Page 19 of that Order states:

EKPC's membership in PJM does create some degree of risk, particularly with respect to EKPC being granted sufficient transmission rights to be able to serve its own load without having to pay higher prices for energy due to transmission congestion. Consequently, the Commission will require EKPC to file by May 31 of each year a comprehensive report setting forth in detail the amount of transmission rights awarded and purchased; a description of hedging plans and strategies to address transmission congestion and market prices for capacity and energy; a breakdown by category of the prior years' benefits and costs of PJM membership; and a projection of future benefits and costs reflecting the most recent PJM capacity auction results. Based on the Commission's annual review of these reports, actions may be taken as necessary to ensure that EKPC's continued membership in PJM is beneficial to its members and consumers, and

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<sup>1</sup> Case No. 2012-00169, Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC.

that EKPC is participating in PJM in a manner that maximizes all available RTO benefits.

This annual reporting requirement will enable the Commission to monitor whether or not EKPC's membership in PJM remains beneficial to its members. Consequently, there is no need for the Commission to initiate the review and investigation as suggested by the Sierra Club.

As indicated in the record in Case No. 2012-00169, the savings associated with EKPC's integration into PJM is substantial. EKPC's rates are and will continue to be driven by EKPC's fixed and variable costs of generation and transmission and are not tied to the cost of capacity or energy in the PJM market. EKPC's DSM programs for load control and efficiency will continue to be based on the economics of EKPC's avoided costs as described in the previous responses to the Sierra Club. As stated above, EKPC will file annually with the Commission information relating to the benefits EKPC and its owner members yield from integrating into PJM.

EKPC will be a participant in the Base Residual Auctions ("BRA"), and has registered to bid its direct load control into the BRA auctions. While EKPC plans to monetize the direct load control program in PJM, selling load control and efficiency forward in the BRA auctions is not without risk. Participation in load control and efficiency programs is voluntary. EKPC and its owner members market the load control and efficiency programs but participation in these programs has historically been low. EKPC and its owner members do not have an adequate span of control to sell forward a high percentage of forecasted penetration of efficiency and load control programs. Selling significant volumes of efficiency or load control above the current proven volumes would be speculative.

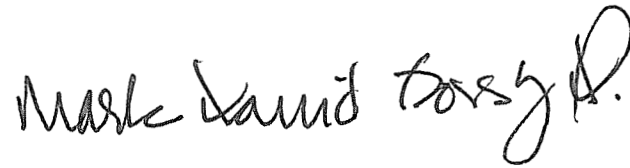
The problem that underlies the direct load control and efficiency programs is participation. Load control and efficiency programs have been available for many years but

participation continues to be low. EKPC and its owner members have performed a direct marketing pilot to determine if this marketing strategy improves participation. These direct marketing efforts have been successful and EKPC's owner members have begun to utilize or are considering utilizing this marketing strategy to improve participation in load control programs. If direct marketing continues to be successful, EKPC will consider broadening the direct marketing strategy to other efficiency and renewable programs. The adoption rate of DSM and efficiency programs should be highest among the environmental community. EKPC invites the Sierra Club to take a leadership role with its members and encourage Sierra Club members to utilize the programs that the industry offers and the Sierra Club advocates.

Additionally, per Ordering paragraph 1 of the December 20, 2012 Order, Tony Campbell, EKPC's President and Chief Executive Officer, submitted a letter to the Commission "agreeing to file, no later than November 15, 2015, a rate mechanism to flow back to customers the PJM capacity market benefits."

EKPC plans to be fully integrated into PJM on June 1, 2013. The impacts of EKPC's integration into PJM will be reflected in its 2015 IRP.

This 18<sup>th</sup> day of February 2013.

A handwritten signature in black ink that reads "Mark David Goss". The signature is written in a cursive style with a large, looped initial "M".

Mark David Goss  
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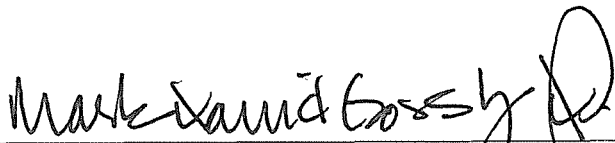
CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served, by depositing same in the custody and care of the U.S. Mail, postage pre-paid, on this 18th day of February 2013, addressed to the following:

Honorable Michael L. Kurtz  
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36 East Seventh Street  
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